



STATE BOARD OF EQUALIZATION

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No. 81/56

April 17, 1981

TO COUNTY ASSESSORS:

QUICK REFERENCE CHART - CHANGE IN OWNERSHIP

The attached two page chart is designed as a general reference. We anticipate that it will be a useful tool for those people on your staff who do the document processing. This chart was designed to be as simple as possible; therefore, we have excluded any reference to the change in ownership statutes in the California Revenue and Taxation Code or to Rule 462.

We plan to produce a more in-depth reference in the future; however, the Legislature is still in the process of actively amending the statutes regarding change in ownership.

This chart reflects the statutes relating to change in ownership currently in effect. However, proposed Assembly Bill 152 may amend some of these statutes. Most of the amendments are clarifying in nature; however, there is a substantive change to Section 64 regarding partnerships and corporations. Current law - as reflected in the chart - requires reappraisal of the "interest transferred" when more than 50 percent of the "original coowners" interest is transferred. If Assembly Bill 152 passes in its current form, the above transfer would require reappraisal of all the real property of the legal entity and not just the interest transferred. We will, of course, notify you when and if Assembly Bill 152 becomes law.

I hope this chart proves to be both convenient and useful to you. If you have any questions regarding it, please contact our technical services section at (916) 445-4982.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

VW:lo
Enclosure

QUICK REFERENCE CHART CHANGE IN OWNERSHIP

<u>JOINT TENANCIES</u>		
X → AB		100%
AB → B		50%
AB → ABCD		0%
ABCD → BCD		0%
BCD → BC		0%
BC → C		100%
AB → ACD		66-2/3%
A → AB		0%
AB → AB t/c		50%
HW → HWS		0%
HWS → WS		0%
WS → S		100%
S → D		50%
A → AB		0%
AB → A		0%
AB → ABC		0%
ABC → ABj/t Dt/c		33-1/3%

<u>TENANCY IN COMMON</u>		
X → AB		100%
AB → A		50%
X → XY		50%
XY → X		50%
<u>TENANCY CHANGES</u>		
X → A 1/2 B 1/2 t/c		100%
A 1/2 B 1/2 t/c → AB j/t		0%
X → ABC j/t		100%
ABC j/t → ABC t/c		0%
X → AB j/t		100%
AB j/t → ABC j/t		0%
ABC j/t → ABC t/c		33%
<u>LIFE ESTATE</u>		
GRANT		100%
DEATH		100%
RESERVATION		0%
DEATH		100%

<u>LEASES</u>
Reappraise upon:*
Creation of lease for 35 years or more,**
Assignment of lease with remaining term of 35 years or more,**
Termination of lease having an original term of 35 years or more,**
Transfer of a lessor's interest in property subject to a lease with a remaining term of less than 35 years.**
*On change in ownership of leased property, reappraise full fee interest.
**Including written renewal options.
<u>FRACTIONAL INTERESTS:</u>
No reappraisal unless interest transferred equals or exceeds five percent or \$10,000.
Interests transferred during any one assessment year should be cumulated to determine when reappraisal is required.
<u>INTERSPOUSAL TRANSFERS:</u>
All interspousal transfers are excluded from being changes in ownership.
<u>MISCELLANEOUS</u>
The transfer of equitable title, e.g. sales contract, is a change in ownership.
The transfer of bare legal title, e.g. reconveyance of a security interest, is not a change in ownership.

PARTNERSHIPS AND CORPORATIONS

General Rule

Transfer of any interest in real property from an individual to a partnership or a corporation, or from one entity to another, is a change in ownership.

Exception

No change in ownership occurs if the proportional interests (e.g., stock or partnership interests) of the transferors and transferees are the same before and after the transfer.

Once excluded from being a change in ownership under this provision the transferees are termed "original co-owners" and their interests must be "tracked." Whenever more than 50 percent, cumulatively, of the "original co-owners" interest are transferred, the interest transferred shall be reappraised.

General Rule

The transfer of interests in legal entities (e.g., shares of stock or partnership interests) is not a change in ownership.

Exception

A change in ownership occurs if any person or entity obtains control (i.e., ownership of more than 50 percent of the ownership interests) of a partnership, corporation, or other legal entity. The real property owned by the acquired entity would be reappraised. Also subject to reappraisal would be the real property of any subsidiary owned by the acquired entity - again ownership equals more than 50 percent of the ownership interests.

TRUSTS:

Revocable Trust

No reappraisal on creation of, or transfer to, if transferor is also trustor.

No reappraisal when trustor revokes trust and takes the property back.

Reappraise when trust becomes irrevocable except when the trustor (or the trustor's spouse) is the sole present beneficiary.*

Irrevocable Trust

Reappraise on transfer of real property to an irrevocable except:

(a) No reappraisal if the trustor (or the trustor's spouse) is the sole present beneficiary.*

(b) No reappraisal if transferor retains the reversion and the beneficial interests or others does not exceed 12 years duration.

*There shall be a reappraisal to the extent that the transferor-trustor is not the sole present beneficiary.